

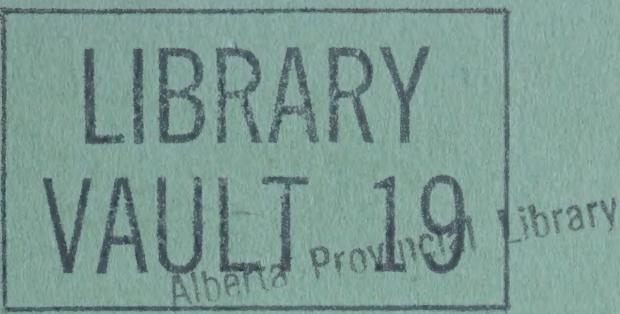
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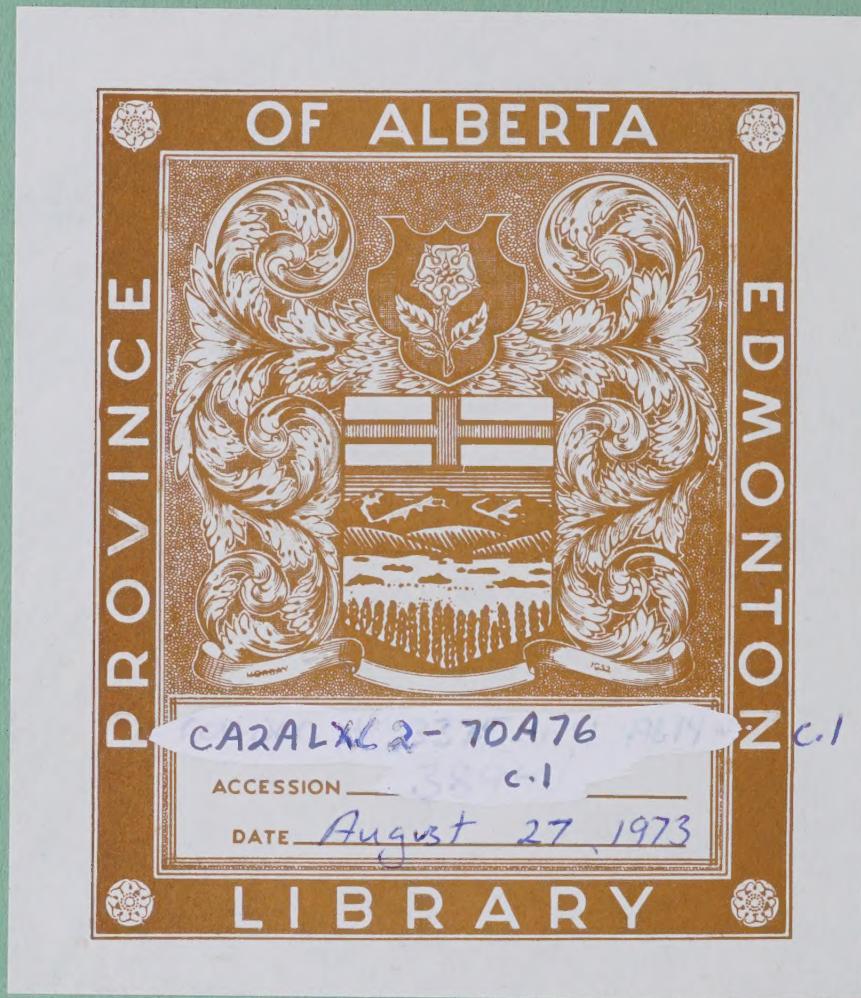


REPORT OF THE
SPECIAL COMMITTEE
APPOINTED BY
THE GOVERNMENT OF ALBERTA
TO STUDY
ASSESSMENT AND TAXATION

Edmonton, Alberta.

March, 1970.

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Alberta Government Photo

Left to Right: E. C. Allen, Hon. E. H. Gerhart, D. J. Russell, R. E. Barrett, Ralph Brown (Chairman), W. H. MacDonald (Secretary), E. A. Mitchell, Lee Leavitt, A. Carl Muller, L. E. Buckwell.

Edmonton, Alberta
March 5, 1970

The Honourable The Speaker,
Legislative Assembly,
Province of Alberta.

Sir:

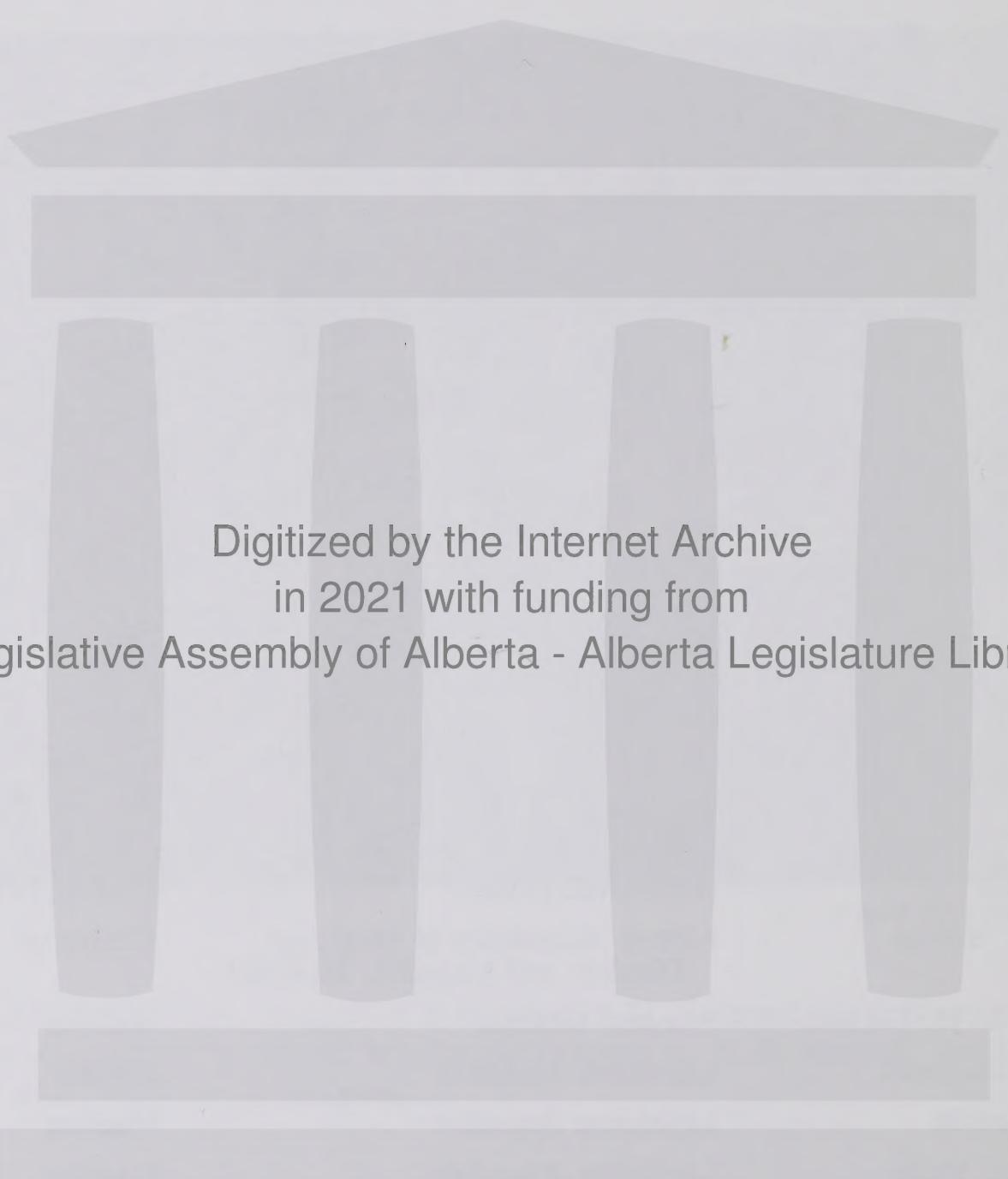
I, the undersigned, have the honour to submit the report of the Special Committee appointed to study and receive recommendations and representations in the matter of property assessment, taxation, equalization, and provincial requisitions through the property tax.

Respectfully submitted:

RALPH BROWN,
Chairman.

Members of Committee

| NAMES | ORGANIZATION | CAPACITY |
|--------------------|--|----------|
| Ralph Brown | Alberta Association of Municipal Districts and Counties, President | Chairman |
| Hon. E. H. Gerhart | Attorney General | Member |
| L. E. Buckwell | Legislative Assembly | Member |
| Lee Leavitt | Legislative Assembly | Member |
| A. Carl Muller | Legislative Assembly | Member |
| David J. Russell | Legislative Assembly | Member |
| R. E. Barrett | Alberta Urban Municipalities Association, President | Member |
| E. C. Allen | Farmers' Union of Alberta | Member |
| E. A. Mitchell | Alberta Federation of Labour | Member |

A faint, light-grey watermark of the Alberta Legislature building is centered in the background. The building features a prominent portico with four columns and a triangular pediment.

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Chairman's Preface

During the past eight months it has been an honour and a privilege to work with a fine committee of Albertans, to investigate on behalf of the Legislative Assembly of Alberta, many of the complaints about property taxation.

We have received excellent co-operation from the Department of Municipal Affairs in both reports and personal interviews; members of the Department have spent considerable time attending at our deliberations and giving very helpful information. We wish to express special thanks to Professor D. A. Bancroft for the able way in which he advised and directed the compiling of this material.

After acquainting ourselves with some of the many problems, we advertised for submissions to the committee, and these were generously given. Many good suggestions were brought forward, in both written and verbal form.

I believe it was soon realized that the two principal areas of complaint were exemptions and property taxes being used for social services. A word on the latter —a preliminary study of the aggregate tax picture indicates that we are using practically the same amount of money for municipal purposes as is collected in property taxes. This situation however gets clouded by the many grants and shared programs provided in the various fields.

The Foundation Program, in Alberta, is beneficial to most Albertans. It distributes money raised in the wealthy areas of the province to assist those in less fortunate regions. Because of the nature of industries, they tend to settle in few areas. Availability of power and natural resources is critically important. Subsequently many other industries using by-products tend to locate nearby. Hence we have areas with high assessments distributing benefits to areas not so blessed.

As fairness and equality are very necessary in an assessment scheme and when many types of property make up the assessment base, it appears that Fair Actual Value is the most acceptable basis to use, to arrive at this goal.

It will be noted, recommendation is made regarding explicit use of a depreciation reduction of improvement assessments where obsolescence has occurred.

We find three main areas in which assessment affects the owners of property differently. . . .

(1) *Residential* — the owner, in the case of single family dwellings, cannot declare and deduct these taxes for income tax purposes. Nor can he pass them on. Therefore, as it has been suggested that the ownership of property induces better citizenship, a simple system of relief, particularly to those in fixed and low income groups should be used. In place of the present homeowners' tax discount of fifty dollars, we propose that the first two thousand dollars of assessment be exempt from provincial requisition. This gives a slightly higher discount than at present, still leaving local municipal taxes and supplementary payments to be made, thus giving every taxpayer the knowledge of his own local government's spending. The proposal also meets a minimum tax requirement as was suggested in several submissions.

(2) *Commercial properties* — Assessment Manuals are compiled in great detail and have achieved the purpose of comprehensive valuation. Properties

containing wholesale or retail sales businesses, so long as they are assessed and taxed fairly relative one to another, may to a large degree shift the burden partly onto the buying public. It would appear that this is the case in Alberta.

(3) *Industries* – Properties that are used by the industries that face outside competition in selling prices, such as extractive industries and farms. This is the category of property on which we received our greatest number of requests for change.

The requests for change in taxation pleaded a variety of causes. Some change was demanded for the very survival of certain industries; other changes were requested to provide equitable advantage to different industrial investments. Some pleaded for more attention in assessment to market values, while others proposed that property incomes or even industry incomes should be more influential in setting the tax basis. It was noted, for example, that certain industries, including much of the agricultural sector and the power companies required inordinately high capital investment relative to the returns obtained.

Further research of a concrete and objective nature is needed before these proposals may be properly evaluated. We are proposing that research should be undertaken and that, in the interim, the notions of a "common basis" and "fair actual value" should apply in all land assessment for agricultural, commercial, residential and industrial properties, regardless of the make-up of the industry. Nor should the nature of land tenure whether owner-occupied or held under lease, affect the amount of the land assessment, except as it affects the land market.

RALPH BROWN,
Chairman.

Chapter I

INTRODUCTION

THE COMMITTEE'S OPERATION

A POSITIVE APPROACH

Chapter I

INTRODUCTION

THE COMMITTEE'S OPERATION

The people of Alberta have shown a particular interest in property taxation and have communicated much of this interest to the Committee. The Committee was hampered in some degree in its investigation of the subject. The terms of reference did not permit a wide search in the fields of taxation for alternatives to property taxes. The single most limiting condition prevailing on the work of the Committee was the shortage of time and of adequate data about conditions now existing. Changes in local government, in legislation, in development of industries and resources and of public services have been occurring so rapidly that it was difficult to establish where we are at this time. The short time at our disposal forced us to see things in transition and not fixed at a point in time.

The quick look type of study that we were able to complete did have some obvious good effects. Many people came forward to discuss the matters at hand in a most helpful and informative manner. Though they were often admittedly not properly prepared, their informality and sincerity became obviously an important help to the Committee's reviews of topics. Some 40 written submissions were made to us and we were provided with additional background data from the Department of Municipal Affairs. Oral presentation and clarification from local government associations, the provincial assessment branch and private individuals assisted us greatly in our study.

The Committee was able to use the reports of other provincial studies on property taxation and local finances that have been carried out in recent years. Though much of this published material from other places related to conditions quite different from the Alberta state of affairs, it was helpful to us in pointing out where other provinces had found matters that needed correction.

Alberta studies of this subject were helpful also. The Judge Report on taxation in Alberta of 1948, the report of the Public Expenditure and Revenue Study Committee of 1966, and the report of the Minister's Committee on School Finance of 1969 were found to be pertinent to our own study. There were in addition to these official reports a number of other publications and monographs such as the booklet *Urban Crisis* published in 1968 by the cities of Alberta, and *Taxation of Farm Property* published by the Farmers' Union of Alberta in 1968. These were only a few of the publications used in our investigations. A more complete list is available in the bibliography at the end of this report.

Some of the submissions made in written briefs were quite substantial. A great amount of special study and analysis had been carried out for this committee's consideration. Some that should be mentioned are: the brief of the Smallholders' Association for Municipal District of Rocky View, the private submission by Professor Vladimir Salyzyn, the brief and especially the support documents presented by the Alberta Association of Municipal Districts and Counties, and the submission of the Alberta Association of Professional Appraisers. Special problems were described and analyzed by groups such as the Alberta Urban Municipalities Association, the Western Stock Growers' Association, the Canadian Petroleum Association and the Alberta Real Estate Association. The

Committee is grateful to all who responded to its invitation to come forward and assist.

The Committee was perhaps more influenced by the submissions presented to it than by its independent investigations. This is in part due to the shortage of time for extensive exploration of the subject by our own members. The submissions were perhaps more relevant and therefore more influential than the official reports of other provinces or of older reports made in this province. It was noticeable for example that conditions described in Alberta of the 1940's and 1950's were still in existence in many other places in 1966-69 but that Alberta has passed beyond those states of affairs. Reforms of local government organization, size of units, standardization of assessment methods, foundation programs, assessment equalization and redistribution of government responsibilities, now proposed in other provinces, had already been accomplished in Alberta, in some cases many years ago. Alberta can take little leadership from the other provinces in these matters. Our present needs are for reforms several stages ahead of most other places. It was in the local submissions that these new needs were to be found.

A POSITIVE APPROACH

In determining that the submissions constituted a prime source of information, it then evolved on the Committee to organize the main thrust of its concerns and to provide itself with positive and progressive guidance from the submissions. This has clearly been the main burden of our work. The assembly of many proposals, complaints and pieces of specific information into a comprehensive program for change has been our chief duty.

It was not surprising that in many ways the submissions pressed for changes which were often contrary to one another. Although two groups might start with the same basic factual information, they might organize it quite differently, analyze it from different viewpoints, draw conclusions and make recommendations substantially at odds with one another. The question of whether taxation of residences has the effect of making it more difficult for ordinary residents to own their homes, or the reverse, was argued from both sides. We do not intend to reiterate the opposing arguments or to stress the fact that such differences were frequently faced in the submissions. Rather we see our contribution to be one of re-stating the fundamental agreements in the arguments and formulating positive recommendations to best accommodate the varying interests involved. Our position on the farm buildings exemption is an example. In the interests of better understanding and confidence of both urban and rural interests, this exemption and the partial exemption extended to all other buildings, machinery and equipment, should be removed from the tax base definition. The effect of such will restore the notion of uniformity that is presently seriously questioned, but it will not substantially affect the farm/non-farm shares of provincial requisitions. Our calculations led us to believe that some nine hundred million to a billion dollars of assessment would be added to the rural sector and some twelve hundred to thirteen hundred million would be added to the urban sector in present assessment dollar amounts. Less than one-third of the addition to rural assessment would fall on agriculture. These changes would leave the urban/rural proportions of the equalized assessment roughly in the ratio of 32/19 instead of 2/1 as is presently the case. We estimate that only one-tenth of the total increase would fall on farms. The gain in public confidence from such a reform would, we believe, be very substantial.

Another issue which was raised many times in our hearings was the relative burdens on farm land and other property and the matter of the stipulated dollar schedules used for determining farm land values. Again we found wide agree-

ment that both sides favoured a clearly uniform practice. We note as well that there is a strong similarity in the arguments of the agricultural sector that farm land taxes relative to farm income must be considered in devising a tax philosophy, and in the argument of industrial enterprises that their capital works should be treated to special attention. The arguments are very similar. If, in fact, farm land assessments constitute a ratio of 25 per cent of land values today, it is also apparent that other land assessments relate to their current values in a ratio of perhaps 35 per cent to 40 per cent, not 65 per cent as some have assumed. Similarly it appears that equalizing the assessments reduces the other lands to about 20 per cent to 30 per cent as equalization is now performed. We conclude from this that no drastic action should be taken with farm land rates only. We do recommend that intensive statistical investigation of these situations should be undertaken immediately with a view to reducing the amount of correction required in the equalization step. When the results of these investigations are known, then all property assessments should be rectified to full value and expressed in a common dollar value denominator. The tax burdens of various classes of property may then be adjusted in the knowledge of what the effects will be.

Reduced tax rates in the form of differential mill rates may be used to ease the burden of some classes if they are deemed necessary. In the present state it is not at all clear that the intended reductions such as the 60 per cent, 50 per cent, 30 per cent, and 20 per cent proportional assessments on various types of property or complete exemption, have the effects that are expected of them. We seriously suspect not. Careful and comprehensive statistical studies are needed before such conclusions can be drawn.

Alberta has attained a position in advance of most other jurisdictions in its use of property taxes and local finances. Reading in the reports of other provinces is like reading past history. Many of our problems now are new ones that other places have yet to recognize. A progressive redirection at this time is entirely consistent with our past performance in the area of local government.

The following chapters will attempt to set out a description of the transitional state of affairs, as we found it. Our recommendations are contained in the last chapters. We believe the entire report is worthy of wide reading and discussion. Immediate action on the recommendations is proposed.

Chapter II

BACKGROUND STUDY — PROPERTY TAX SYSTEM

PROPERTY TAXATION

Assessment of Lands

- (a) Location
- (b) Soil
- (c) Use
- (d) Certain Benefits
- (e) Other Rules

The Present Concept

The Changing Concept

Multiplication of Rules

Centralization of Functions

IN ADDITION TO PROPERTY TAXATION

THE FUTURE COURSE

Chapter II

BACKGROUND STUDY — PROPERTY TAX SYSTEM

If any general note of wisdom is to be enunciated out of our study it is probably this: most of the problems we faced in this study had their roots in attempts of the legislature or of administrators, to accomplish some objective other than uniform taxation, by meddling with the assessment base. The intended benefits can seldom be demonstrated; and the attendant confusion, loss of confidence and demand for extended concessions does nothing but harm to the tax system. This chapter attempts a background study of the conceptual basis of our property tax system.

PROPERTY TAXATION

The property tax, as used in Canada, is a levy based on the capital values of certain items of property. The capital value is taken as the measure of tax liability and the tax is proportionate to that measure. How then is the measure appraised? What determines the value to be set and assessed for taxation?

In most places the value to be assessed is described as real or true or actual value. Usually the statutes offer further guidance as to how that value should be found or what shall be considered in determining it.

The importance of these statutory stipulations is in their function in defining the base for the tax. The concept of property is found in these factors and the theory of value is set forth in the terms and stipulations. If one is to try to expose the intention of the legislation, or the intentions of the legislators who enacted the legislation, he first has to search in these terms.

In Alberta, for instance, the value we want is called *Fair Actual Value*.¹ It is to be found — as the statutes put it — *by having regard* to certain stipulated factors. A discussion of those stipulated factors and considerations shall attempt to interpret the real intent of the assessment and how it is supposed to function.

Assessment of Lands

The property tax is primarily a real property tax and it is founded on land values and land improvement values. The values are determined by assessors; and the assessors have regard to certain factors which, in Alberta, are described as:

- (a) any advantages or disadvantages of location,
- (b) the quality of the soil,
- (c) any profitable use that may reasonably be made of the lands,
- (d) the benefit to the land of an irrigation or drainage project and
- (e) such other considerations as the Assessment Commissioner may, from time to time specify.²

What meaning does this have? How shall the assessor have regard to these things?

1. Alberta, *Statutes, 1967* (Edmonton: Queen's Printer, 1967), Section 8, Subsection (1). Called *The Municipal Taxation Act*.

2. *The Municipal Taxation Act*, S. 8, SS (3).

Frederick H. Finnis, in his study of assessment values across Canada, found that similar considerations were mentioned in several of the provinces' statutes.³ He points out that some latitude is given as to what kind of "regard" the factors should receive and that in some cases it is not even mandatory but only suggested that any regard should be had for the factors.

(a) Location. Let us assume that it is mandatory that the assessor should have regard to any advantages or disadvantages of location, as is probably the intention of the Alberta provisions. What does having regard to advantages and disadvantages of location mean? It has got to mean something according to the rules of statute interpretation. One cannot impute a nonsense or a nil meaning to these words. They have to have meaning.

Can it be argued that an assessor has failed to have regard to, say, certain disadvantages of location? What is the assessor's defence to such an argument? It is difficult to see that an effective argument can be offered that an assessor has failed to have regard to any of these factors, but at the same time anyone wishing to dispute an assessor's determination of value is free to regard these things and argue in terms of their importance to determining value. In effect, the provisions are a further elaboration of the meaning of "Fair Actual Value". They are not specific instructions, or enumerations of assessors' duties. As definitions of value they may effectively be used to argue; but as duties of the assessor they cannot effectively be argued. In order to impute meaning to the terms one must interpret them as respecting values not as respecting assessors. By providing that it is mandatory that assessors shall have regard to the various terms the legislation simply means that the terms are definitely relevant to the determination of values.

What relevance then does location have in a property's assessable value? Should any effect of location whatsoever, upon a property's desirability, productivity, exchangeability or potential utility be regarded as an effect on value of the property? Whether the location effect is related to uses of the attributes in the land, or land markets or to the economic scarcity of available lands or whatever the effect is, is it material to the question of value and may it be raised as a determining factor in respect to Fair Actual Value amount? If the assessor builds his values on these influences it cannot be held by a complainant that they are not relevant. If a complainant builds his complaints on such influences, the assessor cannot hold that they are not material to the question. Anything to do with a property's location as a site for something, as an article of wealth or as a productive resource, may be raised as a factor affecting the property's value. Location, as it affects the land as collateral, as a speculative investment, as a reservoir of wealth, a medium of exchange, a depository of value or a hedge against inflation, or simply as an historical or cultural or aesthetic preserve, may affect the determination of value. Any such aspect might be considered in the search for the value figure.

(b) Soil. The second factor listed in the Alberta statute to which the assessor shall have regard is the "quality of the soil." Although this factor is not expressly confined to determinations of values of land used in agricultural production, it is surely intended to cover that case especially. But if soil quality may be shown to have some importance in the use of lands for building sites, right-of-way, resource development and exploitation or any other uses, then it probably may be related to values in those uses also. Again, *having regard* to this factor must mean, for practical purposes: that the effect of soil quality on value is relevant to the proper determination of the value we seek, that it cannot be held to be immaterial even if the effect itself cannot be found conclusively or with certainty.

3. Frederick H. Finnis, *Real Property Assessment in Canada* (Toronto: The Canadian Tax Foundation, 1962), pp. 16-25.

(c) Use. The third factor, which has been interpreted to mean "highest and best use", has to be considered. By providing that "any profitable use that may reasonably be made of the land" shall be regarded, the legislation, it seems, is providing that alternative uses may be considered. Only such uses as may be practical, lawful and reasonable, need to be considered however, and that only with respect to the probable users at the given time and place.

Here the potentialities of land uses might give some difficulty. However, when one understands that the only true or real or actual value derives from that use which maximizes value, the various alternatives are reduced substantially in number. To premise a valuation, for instance, on a use of land for an oilwell, a pipeline, a pumping station, warehouse, service station or parking lot, demands that such a use be feasible and more or less profitable, and further, it implies that if the use is a hypothetical one it should be a lawful one.

(d) Certain Benefits. Certain benefits to land arising from irrigation or drainage projects are also to be considered. It is the *benefits* – which must mean actual, usable, effective benefits – that are regarded in determining value. The mere fact that irrigation is provided or drainage has been constructed does not render a value; only when a real benefit is derived to the land in terms of practical, increased values, does this factor come into play. A hypothetical future potential increase in value would not influence the determination of value for assessment purposes.

(e) Other Rules. The fifth factor enumerated is that which refers to the various "other considerations which the Assessment Commissioner may, from time to time, specify." These directions refer, of course, to the factors such as lot sizes, slopes, shapes, situations, populations and other things set out in the suggestions contained in the prescribed rules for assessment. Having regard to them means the same as for the first four factors; that is, they are relevant to the value determination and may be raised by either assessor or complainant in the question of value.

The Present Concept

Thus the concept of the value to be set out as assessed value is really the Fair Actual Value and it is influenced by all of the influences that can affect value. Any of the price, cost or revenue influences may be raised. None is excluded from the regard of the assessor or the complainant.

Although the rules described here might refer only to valuation of "lands" which apparently means "physical lands" in Alberta, they used to apply to land improvements also; and they probably still do. They are specifically related to the unimproved part of a land property, but how can they not also relate to the improved part? The present value in land separate from its improvements, workings, structures, even buildings and fixtures, is not meaningful. It is no more meaningful than the value of land as if it were separate from its location, its soil quality or its utility. Therefore the rules as they relate to lands are assumed to relate to the condition of the land and its improvement also.

The Changing Concept

These rules have appeared since the early 1900's and are being continually broadened and extended. There appears to be a process of codifying the rules that at one time described value simply as "actual cash value as would be appraised in payment of a just debt from a solvent debtor."⁴ In the Municipal

4. Northwest Territories, *Ordinances, 1896* (Regina: Queen's Printer, 1896), Ch. 75 of 1898: S. 138. Called *The School Ordinance of 1896*.

Ordinance of 1897 the assessor was directed to have reference to land's "location and local advantages" and also to the "situation". Further, he was to value vacant, unused land "as if it were held for farming or gardening purposes."⁵ The rules have increased substantially since then.

Multiplication of Rules

It is to be expected that the rules will continue to grow and become more and more detailed. Not necessarily that the new codes will change the meaning of value but perhaps to further strengthen the meaning. Whereas at one time all real and personal property assessments were covered by one simple statement of value; now *land values* are described in one way, *building values* have additional rules, *machinery and equipment values* are the subject of special provisions as to depreciation, etc., other *personal property* (mobile equipment) is valued according to formulae using replacement cost, *pipelines and power lines* are under a system of flat rates prescribed specifically for them and *drilling equipment* has moved out of the area of value assessment entirely and into a new arbitrary form of assessment related to work performed rather than property value.⁶

Centralization of Functions

Not only is the assessment changing in substance but the local assessor is being replaced by centralized authority at the provincial level. This trend should not be overlooked. Of the six classes of property just mentioned, three are now outside the field of local assessors, being entirely under the survey of officers of the provincial government.

Thus one should note two strong trends operative in recent years: one trend to codify the rules for determining value and the second a trend to placing assessment responsibility in a centralized position at a higher level of government.⁷

In Addition to Property Taxation

In Alberta, in addition to property taxes and licenses based on property values, municipalities have business taxes based on business profitabilities, a system of drilling taxes based on the accomplishment or work of drilling: railway, pipeline and power line taxes based on a function of property value; a special franchise tax based on the value of certain property which is itself exempt, and lastly, franchise fees, rates, or rentals based on gross receipts.

These assessment schemes are changing almost every year and the new schemes might seem to exploit new bases. The bases, however, retain a strong element of value, whether it be *Fair Actual Value* as in real property, machinery and equipment and franchises; *replacement cost* as in mobile equipment; or *value in use* as in the business tax and the drilling tax. The bases are distinctly not composed of income or consumption measures. By various sometimes circuitous means the tax finds a measure of some kind of value to rest on, and the legislation goes to great lengths to show this.

Thus it is possible to hold that these taxes are all direct taxes in accordance with the Constitution.

5. Northwest Territories, *Ordinances, 1897* (Regina: Queen's Printer, 1897), Ch. 70 of 1898. S. 127.
6. Some Personal Property, meaning not land or attached to the title to land, is still assessed as machinery and equipment but mobile personal property is outside the base of the property tax.
7. The same trends are present in other provinces and recent reform measures are accelerating the processes, e.g. Manitoba and New Brunswick.

The Future Course

In projecting the future course of property taxes we are obliged to regard the constitutional provision, the trends visible in the development of the various taxes to date and one further condition, that being the relative importance of these taxes as revenue producers.

As to the constitutional provisions, there is little likelihood that they will change substantially in the near future. The provinces, we must assume, and of course their municipalities, will be confined to direct forms of taxation for a long time to come.

As to the importance of property taxes, in Canada they are yielding over \$2 billion annually to local government now.⁸ This level represents about 75 per cent of total revenues of local governments. For Alberta the amount and proportion are respectively \$190 million and 60 per cent for property *ad valorem* taxes. Only sales taxes rank with property taxes as important municipal tax yielders, and that only in two provinces. In Quebec and Newfoundland the local sales tax ranks second and third in proportion of total revenues but in the west it is non-existent or very nearly so as a local levy. There is no reason to expect that Alberta's municipalities will be exploiting a new form of sales tax in the foreseeable future. Real property, some classes of personal property and business will remain the dominant forms of base to be used by municipalities for some time to come.

Even if federal and provincial grants and subsidies increase, as they are very likely to do, the demands for new and improved services and higher expenditures will prevent any slackening of local levy operations. It is likely that the old ground will be reworked and property and business will continue to carry the main burden of local taxes. The amount of assessable property is increasing, thus yielding greater revenues each year. Business is increasing and it will provide more as the economy develops. Both property and business rates of tax will likely increase too, until real hardship can be demonstrated by those suffering the taxes.

Some interesting things are likely to happen in the assessment of property and business if they are to support higher rates of levy. *Quality* in the assessment governs *quantity* of the tax. Taxes may increase only as assessments improve. The trend of improvement in assessment and equalization administration of the past ten years will be expected to continue. It may hopefully be predicted that it will. Otherwise tax rates will be limited.

The trend of the 1950's, when the property tax base was being reduced by periodic removals of personal property items from the base, is now reversed and should provide a widening of the property base as additional classes of personal property (maybe electronic equipment and apparatus, aircraft and railway rolling stock, automobiles) are returned for assessment or license or some other form of levy.

There is mounting pressure to have some items of real property, such as minerals and gravel, and farm buildings returned to the base and to exploit more fully such property as timber and garden and landscape improvements.

8. Estimate of Dominion Bureau of Statistics, *National Accounts, Income and Expenditures, 1967* (Ottawa: Queen's Printer, 1968), Table 40.

Chapter III

BACKGROUND STUDY — ASSESSMENT EQUALIZATION

The Alberta Assessment Equalization Board

Four Dimensions of the Tax Base

Assessment and Equalization

- Assessment
- Equalization
 - 1. Width
 - 2. (a) Dollars
 - (b) Depreciation
 - (c) Assessment/Market Ratio of Lands
 - (d) Urban Land Reduction

Comment

Chapter III

BACKGROUND STUDY — ASSESSMENT EQUALIZATION

The Alberta Assessment Equalization Board

It is the job of the Alberta Assessment Equalization Board to "Equalize Assessments." The Board receives data in the form of "returns" from municipalities and in summary and recapitulation forms from assessors.¹

In its operation of equalizing, the Board deals with the assessments of the municipalities as they are prepared and recorded by assessors. By increases and decreases of the assessments of municipalities, working with total property or with particular kinds of property within the total, the Board attempts to attain assessments and valuations upon a common basis and fair and equitable as between one another. Such factors as the Board may deem necessary and that in the opinion of the Board should be considered for any purpose of equalization, are considered in determining the equalized assessment of each municipality.

Four Dimensions of the Tax Base

The factors which in general are deemed necessary and which are considered in determining assessments may be classed in four categories. In brief, the assessment of a municipality may be referred to as its tax base. That base has a *width* dimension, being wide or narrow as different kinds of property wealth are included or excluded (exempted). In the same sense of dimensions of the base, a *length* measurement is also variable in that the property included may be recorded at different proportions of its value or, as the legislation says, of "Fair Actual Value." We have land now being assessed generally at 100 per cent of fair actual value; buildings at 60 per cent and 50 per cent and certain other properties at 30 per cent and 20 per cent. A *third* dimension corresponding to height is also seen in the tax base. In this case the variations occur in the "fullness" of the assessors' valuations and depreciation of the property as assessed at apparently prescribed rates or percentages of fair actual value. As values change from year to year, due to depreciation and appreciation in the base itself or in other areas of the economy, and as the assessments remain fixed over several years, the fullness of real value they represent tends to vary. In part this is recognized by annual depreciation allowances made by the assessors on certain properties.

In part the annual correction for these fluctuations is not necessary within a local tax base and is therefore not attempted by the local assessor. However, some of the changes are important in a province-wide tax base and are, therefore, of interest to the provincial authority.

As a last and fourth, and by no means a least important dimension we recognize the dollar units of value expression as another variable. Most assessments in Alberta today relate to value of the property at the time of assessment, but that value is expressed in dollars which were in use in the year 1950. They are more valuable dollars than the 1968 dollar and less valuable than the 1942 dollar. A given property value will be expressed in a larger number of 1950 dollars than

1. Pursuant to The Municipalities Assessment and Equalization Act, Chapter 61, 1957 Statutes of Alberta as amended to 1969.

if it were expressed in 1942 dollars. Similarly the same value in 1950 dollars will be a smaller number than if expressed in 1968 dollars. This dimension must also be recognized in equalizing the assessments of Alberta.

In summary, it appears that four dimensions of the tax base must be brought to equality in order to have equalized assessments. The Board has stated that the assessments "will be upon a common basis" and that assessments will be "fair and equitable as between one another." These requirements may be related to corresponding implications in the preceding analysis. It may be assumed that the "common basis" rule is satisfied by establishing common proportions of fair actual values for various properties in all municipalities and in expressing all assessments in a standard dollar, at least for equalization purposes. The "fair and equitable as between one another" clause obviously demands that all municipal assessments should represent the same kinds of property, whether taxed in the local levy or not. Further, the "fair and equitable" requirement demands that all properties of one class be equally fully valued in all municipalities at a given time. These "fair and equitable" requirements of equal width and fullness of the tax base are possibly too obvious. It may be that the fair and equitable demand will not be satisfied by merely bringing all municipalities to the same width and fullness: possibly in the future additional measures of a municipality's wealth, such as utility profits, not represented in the form of assessable property, will have to be included in the equalization base. For the present, a uniformity of the above dimensions of the assessable base would appear to be what is wanted.

Assessment and Equalization

Assessment —

Assessors discover, list and value properties within their individual jurisdictions according to the legislation, regulations and advice of the provincial authorities. Some discretion is exercised by local councils and by local assessors. Similarly, some local variation of property value occurs which departs in some degree from the general level and trend of values in the province. Such local variations, whether in assessment administration or in property values, are of local interest primarily. Only infrequently would the provincial authority make internal adjustments in a municipality's assessed tax base. The changes to be made are in the external, equalized base.

The assessor's list is an internal measure of taxability for the municipality. Its quality is determined within itself. The common basis rule and the fair and equitable rule apply to the various parts and regions of the base contained in the one municipality. The assessor is the responsible authority, in the first instance, to achieve common basis and fairness and equity.

Equalization —

The assessment authorities of Alberta have been performing equalizations for almost forty years. They progressed from initial early attempts at equalizing along the border areas of adjoining municipalities, to equalizing generally the assessments of all municipalities contributing to enlarged school divisions and hospital districts. They developed assessment manuals and a capacity to revise them while in use, and to phase from one manual to a new expanded one. They now maintain continuous review of construction methods and costs and they are developing a method for monitoring the land markets of Alberta. Since 1961 the equalization operation has been vastly more important than before, because of the need to distribute the school foundation fund levies, fairly and efficiently over all parts of the province.

The equalized assessment of a municipality is obtained by a series of adjustments to the assessment totals of each municipality.

1. Firstly, the totals are broadened by adding to the assessor's taxable list those properties which are valued for "grants in lieu of taxes" purposes but are not assessed. Similarly where a municipality may have exempted certain property such as machinery and equipment or utility properties, they would have to be added back. Otherwise the equalized base is the same width as the originally assessed base. It is, however, seen as a part of the province-wide base and therefore must be quality rated as to the proportions of actual value represented, and as to the fullness of assessor values.

2. A second type of adjustment must be described. It produces the present equalized assessment of Alberta. The adjustments are now standard procedure in determining equalized assessments. There are four principal adjustments to be made.

a) Firstly, adjustments to bring all assessments based on dollars other than the 1959 Provincial Manual Dollar (75 per cent of the 1957 dollar) must be made.

b) Secondly, a depreciation of building and improvements values is calculated to reduce the equalized assessment total for buildings.

c) Thirdly, market values of lands and the assessment/market value ratio, of lands in all urban municipalities is determined and calculations made to adjust all urban land annually to remove variances between municipalities.

d) Fourthly, the urban lands assessments are then reduced to represent the same proportion of their market values as building assessments are of their replacement costs.

All four adjustments must be calculated and applied annually for every municipal tax base. The result constitutes (except for certain special adjustments) the equalized assessment level in Alberta each year since 1961.

Comment

Property tax administrators are suffering at this time from a credibility gap. Some individuals and a number of municipal councils are confusing the use of partial proportions of Fair Actual Value (ranges from 20 per cent to 100 per cent for different kinds of property) with the common basis of (a) 1950 Dollars and (b) an equalized width of the base. In the assessments, rural and urban lands are now assessed at 100 per cent of fair actual value except where limited by by-law in cases of current land development, to the 20 per cent level. The buildings and machinery assessments are at 60 per cent, 50 per cent, and 30 per cent depending on the classification. In the interests of public understanding these assessed values could all be adjusted as equalized values are.

Equalized values are all expressed in 1957 dollars (75 per cent) but the local assessed values remain in the dollar used when the municipality was last assessed. Thus there is no comparability of the raw assessments among all municipalities.

Equalized values of lands are adjusted for (fullness) the depreciation and appreciation of market changes year by year. Assessments are not and therefore assessments may not be compared among areas or regions due to this discrepancy in their current relationships to markets.

Equalized values of urban lands are reduced to a level which corresponds to 60 per cent of fair actual value of buildings, which in the view of the Equalization Board places them level with farm lands assessed on the basis of forty dollars (or other standards) per acre in 1950 dollars. The assessed values are not so reduced, and therefore are not comparable as between farm and non-farm lands.

The Equalization Board maintains that its adjustments in equalized assessments renders an equal distribution of provincial requisitions as among municipalities and between urban and rural areas. This applies only as among municipalities however, and does not carry down to the individual properties assessed in each parcel or taxpayer account.

In order to apply the uniform burden, as conceived in equalization among municipalities, to the taxpayers, the adjustments made in equalization shall have to be carried out in the internal tax bases of each municipality. The obvious prerequisite of doing this is to raise all assessed values to full 100 per cent level, of fair actual value, in 1957 dollars (at 75 per cent) in all municipalities.

Chapter IV will attempt to express in general terms, the conclusions of the Committee relative to the problems described in the Background Studies of Chapters II and III.

Chapter IV

GENERAL IMPLICATIONS

- I In the Interest of Public Understanding**
Regarding Consequences
- II In the Interest of Removing Some Apparent Discrimination**
Consequences
As to the Valuation of Farm Land
- III In the Interest of Tax Relief for Special Cases**
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Chapter IV

GENERAL IMPLICATIONS

I In the Interest of Public Understanding

The Committee finds from its own study and from representations of many people in Alberta that improvements in the system of property taxation will of necessity require improved understanding of the methods of assessment, equalization and requisition. There is an apparent and serious lack of understanding about the conceptual basis of assessment. Comments about property value, as the base of the tax, suggest there is confusion, even among assessors, about the intent of the legislation where it prescribes value for assessment purposes. What should be made abundantly clear is that only one concept of value is specified in the statutes, and that that value may here be referred to as *Exchangeable Worth*, or *Market Value*.

Though the statutes and regulations may expand upon the methods of determining value by means of market analysis, productive utility analysis, or cost of replacement investigation, it is exchangeable worth of all types of property that must be declared as the intended base.

In order to establish this value, clearly and uniformly, *it is implied that all property subject to assessment should be valued and recorded at full one hundred per cent, of fair actual value*. If proportional differentials of tax are to be applied to different classes of property, let that be done in the tax rate, not in the assessment base.

The effects of raising all "improvements" assessments to the full 100 per cent proportion is estimated in Table 1.

TABLE 1
EFFECT OF ASSESSING ALL PROPERTY AT 100 PER CENT OF
"FAIR ACTUAL VALUE", ALBERTA, 1969.

| | Millions of Dollars | | | | |
|---------------|-----------------------------|--|--|--|----------------------|
| | 1969 Equalized Assmt. | Incr. in [†] Assmt. of Improvements | Incr. in [‡] other Assmt. | Total [§] Incr. in Assmt. | Per cent Increase |
| Cities | 1690.9 | 784.7 | 146.7 | 931.4 | 55 |
| Towns | 270.9 | 136.5 | 104.3 | 240.8 | 89 |
| Villages | 59.4 | 34.1 | 6.5 | 40.5 | 68 |
| Counties | 554.9 | 42.7 | 356.7 | 399.4 | 72 |
| M.D.'s | 235.9 | 13.3 | 113.0 | 126.3 | 54 |
| I.D.'s | 180.4 | 25.0 | 209.8 | 234.8 | 130 |
| Special Areas | 34.7 | 1.6 | 20.5 | 22.1 | 39 |
| Total | 1005.9 | 1037.9 | 957.5 | 1995.3 | 66 |

[†]Increase in the assessment is derived by increasing building and improvement, and machinery and equipment assessment to 100 per cent of "Fair Actual Value". The base is 1969 equalized assessment.

[‡]Other assessments include machinery and equipment, pipelines, power lines, and government buildings.

[§]Does not include farm buildings.

In order that comparisons may be made by municipalities and individuals, all values for assessment purposes must be expressed in a common denominator or dollar expression of value. Though this has been done in the past in establishing equalized assessments, it has not been carried down to the assessment and tax rolls of municipalities and taxing jurisdictions. *It is implied that as soon as may be feasible all property assessment rolls in Alberta should be converted to the level of dollars expressed in the most recent, 1967 Manual of Assessments published by the Department of Municipal Affairs.* The methods of converting from other manuals to the most recent is already accomplished for the equalization procedure. It should now be applied at the local level also.

As soon as a municipality's assessment roll may be converted to the new level of value expression the new manual should become the operative authority for all new assessments and assessment revisions in the municipality and subsequently in all municipalities.

A qualifying remark as to the above may be required here. Assessments are normally established at the time of a general assessment and remain unchanged on the roll for up to six or seven years or longer. The value established therefore must be the value (in exchangeable worth) as at the time of assessment. Converting that value to newer denominations of dollar worths, in accordance with the latest manual prescriptions need not involve revision of the assessable value. It is only the expression of that value which is converted to up-date its reference to the tax base.

The assessment of all values at a uniform proportion of property value and expression of all assessments in a standard dollar would remove much of the confusion and at times distrust of the assessment system, that was found by the Committee.

Regarding Consequences

The implications set out above entail more than merely statutory or provincial actions. They necessitate a carry-through function in the administration of assessments, equalizations, budgets and requisitions. The Committee therefore attaches the following comments relating the implications to administrative means.

A requirement to be placed on assessors for determining full market value or exchangeable worths must be supported by more extensive training of new assessors and even more importantly by frequent and extensive conferences of supervisory personnel. The use of computer technology and statistical methodology is one area which would be of first importance. The Committee sees no need to replace existing competent staffs but rather the need to upgrade present staffs in the newer methods. Some submissions suggested that all assessors in the Province should be brought more directly under the direction of the central provincial organization. The Committee suggests that the advantage of gaining a measure of uniformity which this move would intend to accomplish could be obtained by more positive and continuous educational programs, based on continuing research by the central authority. It might even be possible to decentralize the assessment staffs, more than at present, if sufficient leadership in the technology were established and maintained at the provincial level. The immediate requirement is to gain this new competence, achieve a leadership position and through research and education, to extend the benefits to all property tax administration in the province.

II In the Interest of Removing Some Apparent Discrimination

The presently available data on distribution of property tax burdens upon different classes of property is unsatisfactory. Official returns and reports of assessments and taxes do not provide adequate segregation of tax bases into realistic

property categories. Only lands and improvements are segregated. In order to determine the present burden of tax on residences, businesses of industrial and commercial types, agriculture holdings and public facilities, the statistical references must be expanded. It should be possible for example to determine not only rural/urban balances, and land/improvements balances, but also the proportionate shares of the various use-types of property as well. Many of the representations made to the committee held that certain classes, such as utility works, industrial plant, agricultural land, grazing lands, or residential improvements, were unfairly burdened relative to other property generally. On the basis of available statistics *this question cannot be properly studied.*

It is therefore implicit that a designation must be noted on each assessment as to the class of property, distinguishing at least among —

- single or double family residences
- retail/commercial
- Industrial, wholesale and transportation
- utility properties
- agricultural properties

Further, the returns of assessment data each year to the Department of Municipal Affairs should identify the numbers of parcels and the aggregate assessed values of all property according to a classification such as above. The published reports of the Department of Municipal Affairs should then report this additional detail in its annual statistics.

Until adequate categorization of the tax base is established, the question of burdens and shares cannot be properly investigated. As soon as such a data base is available, there should be a study of the ratios of assessment value to market value in each category.

An interim measure, which would contribute to improved public understanding and at the same time would remove much of the objection to the present state of affairs, would be to remove entirely the exemption on farm buildings and the partial exemption on other buildings. Our estimate of the effects of this change after the change to 100 per cent of fair actual value is shown in Table 2.

TABLE 2
EFFECT OF ASSESSING ALL PROPERTY AT 100 PER CENT OF
“FAIR ACTUAL VALUE”
AND INCLUDING ASSESSMENT OF FARM BUILDINGS, ALBERTA, 1969

| | Millions of Dollars | | | | | | |
|----------|---------------------|---------------|--------------|---------------|---------------|-----------|--|
| | After | | Est.† | Total | Total | Per cent | |
| | 1969 | improvements | | | | | |
| Counties | 554.9 | 954.3 | 81.8 | 1036.1 | 481.2 | 88 | |
| M.D.'s | 235.9 | 362.2 | 38.5 | 400.7 | 164.8 | 70 | |
| I.D.'s | 180.4 | 415.2 | 10.7 | 425.9 | 245.5 | 135 | |
| S.A.'s | 34.7 | 56.8 | 2.5 | 59.3 | 24.6 | 72 | |
| Rural | 1005.9 | 1788.5 | 133.5 | 1922.0 | 916.1 | 91 | |
| Cities | 1690.9 | 2622.4 | | 2622.4 | 931.4 | 55 | |
| Towns | 270.9 | 511.8 | | 511.8 | 240.8 | 89 | |
| Villages | 59.4 | 99.9 | | 99.9 | 40.5 | 68 | |
| Urban | 2021.3 | 3234.1 | | 3234.1 | 1212.8 | 60 | |
| Total | <u>3027.2</u> | <u>5022.6</u> | <u>133.5</u> | <u>5156.1</u> | <u>2128.9</u> | <u>70</u> | |

†Farm Buildings estimated at 25 per cent of land assessment within municipality.

Note: The overall assessment increase in the rural area is 91 per cent, substantially more than a conservative increase in farm assessment of 25-35 per cent. Therefore, the effect of assessing farm buildings and all improvements at full fair actual value should actually reduce the tax burden upon agriculture as a whole.

Our calculations would indicate that this would appreciably affect the rural/urban sharing in aggregate and also the farm/non farm shares, and would have significant consequences on particular properties. Therefore the option of *taxing improvement* at some fraction of the rate applied to land could be left with the municipalities as another device to minimize the unwanted consequences of this action.

The Committee observes, therefore, that measures should be instituted immediately to categorize the property tax base according to present uses of individual parcels and to investigate the relative property tax burdens of the various classes. An immediate start should also be made on the assessment of all farm buildings and grazing leases, and the calculation of full Fair Actual Value of all other buildings. As soon as may be feasible, the expanded assessments should then be carried into the Assessment and Tax Rolls in all assessment areas.

Consequences

There are follow-up activities to be anticipated at this time, if this second suggestion is adopted. They follow obviously from the implied corrections. If the province-wide property tax base is to be raised to full Fair Actual Value, in lands, improvements and other properties, and a comprehensive classification of the base is to be established, a fairly intricate co-ordinating function must be provided, at least provisionally and temporarily. Full examination of each municipal tax base must be made by competent persons, in consultation with local assessment and taxation officers and explicit terms and programs must be developed for the conversion to full values and for categorizing the assessed parcels. Each action to be taken in the conversion must be carefully studied in order that unintended, potentially serious and damaging consequences do not follow from a hasty or ill-considered change of values.

As to the Valuation of Farm Land

The regulation that has allowed a maximum assessment of \$40 per acre for farm land, with certain exceptions, and \$12.50 for grazing lands has been questioned at our hearings.

We observed in chapter one of this report that no drastic action should be taken with regard to the present application of assessment of farm land because it was unwarranted. We suggested that a more intensive statistical investigation be undertaken before any changes are made.

In the meantime concern expressed by those who submitted briefs and the general public has prompted the committee to investigate the assessment of farm land and comment on its findings at this time.

The public has been unable because of the lack of statistical data and because of the complexity of assessments to be in a position to compare assessment and market value ratios between farm land and non-farm land.

According to ratios presented in 1968 to the Alberta Assessment Appeal Board by summer villages many people are now believing that farm land is valued at 19 per cent of market value and urban land at 38 per cent of market value for equalization purposes.

According to the committee's findings the ratios are much closer together. Farm land sales exclusive of improvements on the average between 1963 and 1967 have been assessed at about 25 per cent of market value.¹

Urban lands are theoretically reduced to 38 per cent of market value for equalization purposes. Our studies indicate this is generally true in regard to Towns, New Towns and Summer Villages. In some cities however, our studies indicate that land is equalized at between 25 per cent and 30 per cent of market value which is more in line of the levels with farm land. Independent studies by Professor D. A. Bancroft of The University of Alberta support those findings.²

Furthermore, even though equalization is an attempt to equalize the valuation of lands in one municipality with another it does not have this effect on the individual taxpayer. One taxpayer who is predominantly assessed on land and another taxpayer who is assessed mostly on improvements will not be treated more equitably because of equalization. Their respective tax base will not have changed by equalization and the overall individual tax burdens will not have been adjusted.

A second area of concern dealing with assessment of grazing leases has been given serious attention by the committee. In our investigation we found that the average assessment value of grassland as compared to crop land was in the ratio of 1:4.23 At the present time the ratio used by the Department of Municipal Affairs is 1:3.2 We would recommend that no new changes be made in grassland assessment until an unbiased comprehensive study is undertaken.

There are no market value data on grazing leases available to compare with deeded crop land. At the present time it can only be computed by capitalizing net returns to grassland. We are aware that much of the expected returns to grassland have been capitalized into the cost of leases. Perhaps it would be worthwhile for the government to consider turning leased land over to the public. This would lead to more reliable comparisons of grassland with crop land values.

III In the Interest of Tax Relief for Special Cases

Much of the comment received by the Committee has referred to exemptions and partial exemptions from assessment. The application of exemptions presently may take different forms. Some properties are totally exempt and are neither listed in the assessment returns nor valued for record purposes. Crown lands exemptions generally are of this sort. Some properties are listed and valued but signified "Exempt" by the assessor on his returns. A church property exemption is normally treated in this fashion. Buildings and improvements on land are valued at full fair

1. "Farm Real Estate Sales in the Prairie Provinces, 1963-1967," Economics Branch Canada Dept. of Agriculture, 1969. This report is made up of 9,657 Alberta land sales during the period 1963-67 by the Farm Credit Corporation of Canada. The average sale price exclusive of buildings was \$52.14 per acre while the assessment was \$12.10 per acre. Allowing an additional cost of 5 per cent for other improvements such as utilities, wells, fences, etc. the average sale price for bare land becomes \$49.00 per acre or 4 times the average assessment. In other words, farm land is assessed at about 25 per cent of market value on the average. During 1963 it was closer to 30 per cent and during 1967 it may have approached 20 per cent. Land prices since however have dropped and will continue to drop until the marginal returns to farm land improves. Therefore, we expect that the present market value to assessment is about 4:1.
2. Unpublished research findings "Assessment Uniformity in Alberta".
3. In calculations made from cow-calf and crop enterprise analysis of the Alberta Department of Agriculture we found that the residual return to grassland was about \$1.95 per acre and that for grain farmers was about \$8.32 per acre before taxes during 1965-1967. The areas studied were dark brown, thin black and black soils of the province. The cow-calf operations were concentrated more in the central rather than southern position of the province. The large fluctuations in returns to grassland and crop land indicate that a much larger sample and time period must be analyzed before an accurate ratio can be established. We are aware of a study presently being undertaken at the University of Alberta.

actual value but reduced to sixty per cent, fifty per cent, thirty per cent, or some other fraction of full value for assessment record purposes. The fractional assessments are provided to give a degree of tax burden relief, in the same manner as a total exemption does. Where a municipality wishes to extend such relief to a property the same effect could be obtained by using fractional tax rates applied on full value assessments. In the interests of providing relief in those cases, the local council should have a discretionary power to apply such fractional tax rates. Various procedures might also be found to produce this effect. It is essential that the terminology and practice be strictly controlled.

The Committee observes therefore that municipal councils should be given the power to designate such properties or classes of property which should be partially or totally exempted, and the fractional amount of normal full tax rate or burden which should, in the view of the Council, be imposed on these properties or classes of property.

Consequences

A short-term, provisional service should be offered to councils of municipalities which might intend to use the tax relief powers. Some enabling legislation, some draft regulations and sample by-laws should be prepared to demonstrate how the power would be exercised. Presumably the local power should come into force, and present statutory provisions of tax relief would then be displaced by the local ones. A co-ordinated smooth transition should be planned.

IV In the Interest of Administrative Proficiency

Property generally, and real property in particular, has experienced very substantial changes in value in recent years. Land values have been rising rapidly and building costs have increased every year in the period covered by the assessment manual cost schedules. As the values of property change, and while the assessments on the rolls remain fixed between general assessments, the ratios of assessments to markets, vary from period to period. Different types of property, however, and properties in different localities, have experienced different rates of change. The variation of the ratios therefore has been disparate as between areas and types of property.

These events have been apparent to assessors and to the equalization authorities in a general way. The trends have not been followed in detail however, nor with close attention to local variations and disparities among property classes. Neither has it been possible in the past to ignore these trends over time, by frequently reassessing the base of property values. When assessments must remain fixed for periods of five to seven years and longer, the disparities grow quite large. Two measures are suggested for dealing with this problem. Firstly, more frequent reassessment is an obvious rectifier. In addition to this, however, and in support of it, a more detailed and continuous statistical study of assessment ratios is needed. The submission by Professor Philip H. White described a method of applying computer technology to the functions of assessment information storage, calculation, and reporting. The same techniques can be applied to statistical analysis of the entire tax base. Possible results of converting many of the clerical duties now carried out by assessment personnel to the computer method would include the freeing of those personnel for more frequent valuations of the tax base. The greater volume of information about existing tax bases, ratios, and indexes of burden could pinpoint the areas and assessments needing early attention. Vast improvements in efficiency, accuracy and timeliness at little additional cost are almost a certainty.

The Committee observes therefore that Provincial assessment and equalization authorities should immediately begin the development of statistical systems

and computer methods for determining up-to-date assessment data, including assessment/sales ratios by municipality, land use, and location; and tax burden indexes by municipality and category of property. Sufficient budgetary and staff appropriations for this work should be provided either within the existing structure of the Department of Municipal Affairs or in a new agency to be created specifically for the purposes.

Consequences

Out of this activity should arise a broad program of public information releases. Out of the information releases should follow a "feedback" from local governments, taxpayers, assessment and tax officers and students. The Committee suggests that all such activities be encouraged and promoted in the interest of general welfare and awareness and particularly in the interest of achieving more critical and informed concern for assessment proficiency.

V In the Interest of Local Government Vitality and Responsibility

Loss of control over local finances, both revenues and expenditures, is a frequent complaint found in the submissions to the Committee. This complaint in part arises from lack of knowledge about Foundation Program Fund requisitions, and equalizations of assessments.

Provincial Requisitions on Local Values

The Committee finds that many submissions favour an allocation of finances and responsibilities in local government which would leave the property tax revenues in the hands of the municipality for expenditures on essentially municipal services or, as frequently suggested — services to property. It is said that all services to people, as opposed to property, should be a charge against tax revenues on income, sales or otherwise.

The Committee found that the suggestion to confine the property tax to uses which were related to property directly, was an attractive one. It was however not within our terms of reference to consider alternative tax forms which could be used in support of the "services to people" category of expenditure. As a positive view the Committee does suggest that all tax revenues of the municipalities in aggregate could be left with the municipalities for their "municipal" needs. Removing the provincial requisition formerly made for hospital purposes and limiting all provincial requisition on residential properties to the assessment over and above the basic \$2000 should contribute to this end. Further studies of the incidence of the remaining tax burden should continue and be published annually by the Department.

Residual Revenues for Municipal Discretionary Expenditure

It was noted in our study that, in the aggregate for all Alberta, the municipalities have been left with roughly the amount of revenue they received from their property taxes. In 1968, for example, the municipal tax levy, including property, business and frontage taxes amounted to some \$217 million, and though municipal local government of all kinds received and spent \$327 million, the amount left to municipalities after paying school and hospital requisitions was about \$194 million or 89 per cent of local taxation. Not all of this was available for services to property, but it was available for expenditures exclusive of school and hospital needs. Table 3 presents a report of the flows of revenues and expenditures in local governments for the past five years.

TABLE 3
SOURCES OF REVENUE AND DISPOSITION,
LOCAL GOVERNMENT, ALBERTA, 1965-1969

| Sources of Revenue | 1965 | 1966 Millions of Dollars | 1967 | 1968 | 1969 (estimated) |
|---|-------|-----------------------------|-------|-------|---------------------|
| Taxation | | | | | |
| Real Property | 139.0 | 146.3 | 164.5 | 190.1 | 220.0 |
| Business | 8.8 | 9.4 | 10.1 | 10.8 | 11.5 |
| Special Assessments | 14.0 | 14.8 | 15.7 | 16.3 | 17.0 |
| Total Taxation | 161.8 | 170.5 | 190.3 | 217.2 | 248.5 |
| Other Own Sources | 22.9 | 25.0 | 28.5 | 32.6 | 37.0 |
| Gross Revenue from Own Sources | 184.7 | 195.5 | 218.8 | 249.8 | 285.5 |
| Federal and Provincial Transfers | | | | | |
| Provincial Transfers | 49.9 | 59.3 | 68.2 | 77.2 | 77.4 |
| Gross General Municipal Revenue | 234.6 | 254.8 | 287.0 | 327.0 | 362.9 |
| Disposition of Revenue | | | | | |
| Education | | | | | |
| Payment to S.F.P.F. (Schools) | 66.5 | 67.9 | 76.1 | 79.6 | 84.4 |
| Payment Supplementary Req. | 15.7 | 16.2 | 22.2 | 40.4 | 50.0 |
| Total Education | 82.2 | 84.1 | 98.3 | 120.0 | 134.4 |
| Hospital Fund Payments | 11.3 | 11.1 | 11.6 | 12.2 | 12.8 |
| Hospital Supplementary Req. | 0.7 | 0.5 | 0.7 | 1.2 | 1.5 |
| Total Hospital | 12.0 | 11.6 | 12.3 | 13.4 | 14.3 |
| Total Education and Hospital | 94.2 | 95.7 | 110.6 | 133.4 | 148.7 |
| Amount Remaining for Municipal Purposes | 140.4 | 159.1 | 176.4 | 193.6 | 214.3 |
| Amount Remaining as a percentage of Taxation | 87 | 93 | 92 | 89 | 86 |

Sources: Annual Reports of the Department of Municipal Affairs, Alberta, 1965-1968.

It should be pointed out that this pattern might be fairly prevalent in the *aggregate* for all Alberta, while some areas or municipalities might find their own cases rather different. Some municipalities may find themselves paying out on requisitions virtually all their revenue including the proceeds of the property tax. The smaller urban places suffer this complaint. Other cases of very large supplementary requisitions from local schools and hospitals may occur as well. There are some conditions, however, in which rather small supplementary requisitions must be paid, and where transfers (grants, contributions) from higher levels of government are substantial; where non-tax revenues from commercial and utility operations of the municipality are substantial; and where the municipal services may be provided with rather little burden on property taxation. Though such

variations do occur and will presumably always be present, a general principle of property tax utilization may be suggested here.

The Committee observes that municipalities should continue to use the real property base, and machinery and equipment, business tax and other commercial and utility and franchise bases for gathering revenues. The Province should continue its foundation fund in education, and its equalization of local tax bases for the purpose of these requisitions. *The Province should announce, however, an intention to administer its requisition and grant system in such a way as to protect the municipalities' own finance responsibilities by assuring municipalities in the aggregate a fund for municipal needs equal to the aggregate proceeds of local property and business taxes.* Initially this assurance should be made only in the aggregate for all municipalities. As soon as the required data are available, however, it could be extended to assure that the aggregate of rural municipal levies is protected for rural municipal needs and that the aggregate for urban levies is protected for urban municipal needs. These assurances could do much to regain the confidence of all Albertans in the grants and transfer systems, foundation fund and equalized assessments.

There should be no intention however of extending this type of assurance to any individual municipality for that would, in effect, destroy entirely the fundamental sharing between areas that is the essential purpose of equalization and foundation schemes.

Consequences

Observation No. V contains a progression of moves starting with an announcement by the Province to protect and preserve a local vitality. From that, the principle of preserving to local authorities, the resources for a local discretionary expenditure, may be extended from the provincial aggregate to smaller aggregates of urban/rural areas, new communities, or developing regions and other sectors of the broad province-wide base.

On its part the Province will from time to time, in its wisdom, remove from or add to the property tax base, as when for example it may choose to replace existing railway or other utility or pipeline types of property in the local base of property, and perhaps use a system of direct provincial taxation of these properties or gross revenue taxes in their place. Local proceeds for municipal needs should be preserved in any such action through the transfer schemes of the Province.

Chapter V

SPECIFIC RECOMMENDATIONS

THE MUNICIPAL TAXATION ACT

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THE ELECTRIC POWER AND PIPELINE ASSESSMENT ACT AND THE RAILWAY ASSESSMENT ACT

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THE HOMEOWNERS DISCOUNT ACT

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MOBILE HOMES LICENSING

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BURDENS OF TAXATION

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Chapter V

Specific Recommendations

The general direction of the proposals of the Committee have been set out in Chapter IV above. Chapter V attempts to provide particular reference to the statutory provisions which these proposals will need. The discussion to follow will also expand upon the recommendations in order to give effect to the kinds of statutory-administrative reforms which we propose.

Chapter IV attempted to describe proposals by reference to the objectives we hope to achieve. This chapter deals with the means and instrumentalities of the reform. It is, for this reason, preoccupied with existing legislative material.

The Municipal Taxation Act

As to the property base:

The general terms of liability of property to assessment are set out in section 3 of The Municipal Taxation Act 1967 (chapter 54), as amended in 1969 (chapter 78). The exemptions from assessment and/or taxation, or partial exemptions, are set out in section 20 as amended in 1968 (chapters 35, 49 and 71) and in 1969 (chapters 14 and 78). A new section 20a was enacted in 1969 (chapter 78) to conditionally, on the enactment of a by-law by a council, partially lift the exemptions provided in certain clauses of section 20. Section 20a permits the municipal rate alone to be levied on a category of property. Another new enactment revising section 86 in 1969 (chapter 78) brought electric power and

pipeline assessment into the base for all uniform rates levied in rural municipalities, and further partly relieved certain assessable summer residences from the provincial requisitions for school and hospital funding schemes.

Section 30a was also enacted in 1969 (chapter 78) to provide for a partial removal of certain residential assessments from the provincial requisition base by reducing to one-third of assessable value the assessment of improvements in such residential properties, but only for the requisitions of the province and not for other requisitions or local rates. Other levies would continue to apply on the full assessable values of these summer residences.

The exemptions in section 20 were reviewed clause by clause and subjected to the Committee's concern for clarity of the assessable base and for equality of tax treatment. A number of general overriding purposes of the Committee rose from this study. Specific recommendations are offered.

RECOMMENDATION 1.

ALL DWELLINGS INCLUDING DETACHED AND MULTIPLE RESIDENCES, AND FARM RESIDENCES, SHOULD BE TREATED ALIKE: DORMITORIES SHOULD BE EXEMPT ONLY WHEN USED IN THE PRIMARY AND SECONDARY SCHOOL SYSTEMS AND NURSES' TRAINING INSTITUTES BUT NOT FOR COLLEGES AND UNIVERSITIES. None of the exemptions set out in section 20 should be worded or construed to exempt any such residential improvement or its site in land, from assessment, except the primary or secondary school dormitory. It is proposed that the wording of the clauses dealing with school properties, hospital properties, farm buildings, colleges

and universities, and property of an irrigation company or district should be amended to clarify this purpose.

RECOMMENDATION 2.

THE PROVISIONS AS TO PROPERTIES OF CANADIAN LEGION AND SIMILAR ORGANIZATIONS SHOULD BE THE SAME IN OTHER MUNICIPALITIES AS IN CITIES.

RECOMMENDATION 3.

THE NEW EXEMPTION PROVISIONS SHOULD BE ENACTED TO PROVIDE TAX EXEMPTION FOR PRIVATELY OWNED WATER SUPPLY AND SEWERAGE UTILITIES.

RECOMMENDATION 4.

The effect of section 20a should be redirected in respect of the properties which may now be subjected to taxation for the municipal rates, only after passage of a municipal by-law.

IT IS RECOMMENDED THAT SUCH PROPERTIES SHOULD BE ASSESSABLE AND SUBJECT TO TAXATION FOR THE MUNICIPAL RATES. HOWEVER, THE TAXES MAY BE REBATED, FULLY OR PARTIALLY BY AUTHORITY OF AN ANNUAL MUNICIPAL BY-LAW. The properties to be enumerated in this group should include those now identified by clause numbers and brief reference as follows:

- 5. Church Lands
- 5a. Church Buildings
- 10. Community properties
- 12. Ducks Unlimited property
- 20. Homes for the Aged properties
- 20a. Nursing Homes properties
- 22. Children's Summer Camp properties
- 23. Canadian Youth Hostel properties
- 30. Exservicemen's Organizations' properties

Municipal properties located in another municipality except those covered by provisions of The Municipal and Provincial Properties Valuation Act.

RECOMMENDATION 5.

THE PROPERTIES OR PARTS OF PROPERTIES OF AGRICULTURAL SOCIETIES, COMMUNITY ORGANIZATIONS, CANADIAN LEGION, OR SIMILAR ORGANIZATIONS WHICH ARE LICENSED UNDER THE LIQUOR LICENSING ACT SHOULD LOSE ALL BENEFITS OF EXEMPTION OR REBATE ON ACCOUNT OF ALL RATES, REQUISITIONS OR PROPERTY LEVIES.

RECOMMENDATION 6.

The effect of section 20a should be broadened as noted above to cover lands and buildings of church properties except dwellings, and municipal properties located in another municipality. SECTION 20a SHOULD NOT INCLUDE PROVISION FOR A MUNICIPAL COUNCIL'S EXEMPTION OR REBATE OF TAXES FOR PROPERTIES OF AGRICULTURAL SOCIETIES (CLAUSE 7), OR LIBRARIES (CLAUSE 15) ALL OF WHICH SHOULD BE EXEMPTED UNDER SECTION 20. Properties thus remaining in the exemption section 20 would be briefly as follows:

1. Personal property.
2. Municipal property within the municipality.
3. & 4. School properties and dormitories except residential dwellings.
6. Cemetery property.
7. Agricultural Societies' properties.
8. Two-thirds of value of municipal seed cleaning plants.
9. Hospital lands except residential uses.
- 9a. Hospital buildings except residential uses.
11. Minerals.
14. Growing crops.
15. Library properties.
16. Irrigation properties *except* office, shop or residential uses, in any municipality.
17. Crown Lands.
19. Homestead or cultivation lease.
24. Property assessable under Electric Power and Pipeline Assessment Act.
25. College and University property except residential uses.
27. Income.
28. Property covered by existing exemption agreement.
29. Property exempt by special statutes.
31. Forest management properties.
- Privately owned, utility water supply and sewerage systems.

As to the Assessor and Assessment:

The duties and functions of the Assessor and of Assessment are set out in Sections 4 through 19 as amended in 1968 (chapter 71) and 1969 (chapter 78).

These sections were reviewed by the Committee and subjected to the tests of clarity and equality as regarded by the Committee. Generally the purposes of the Committee may be translated into the following proposals.

RECOMMENDATION 7.

LAND SHOULD BE ASSESSED AT FAIR ACTUAL VALUE, WHICH MUST IN ALL CASES MEAN EXCHANGEABLE WORTH. HOWEVER,

WHERE A ZONING BY-LAW ESTABLISHES A PERMITTED USE WHICH IS LESS THAN THE MOST PROFITABLE USE WHICH MIGHT OTHERWISE REASONABLY BE MADE OF THE LAND, OR WHERE PRESENT USE IS LESS THAN THE MOST PROFITABLE USE WHICH MIGHT OTHERWISE REASONABLY BE MADE OF THE LAND, A SEPARATE **PROVISIONAL PRESENT USE VALUATION** IN ADDITION TO ASSESSED VALUE MAY BE DETERMINED BY THE ASSESSOR UPON THE ENTERING BY THE OWNER OF AN AGREEMENT WITH THE MUNICIPAL COUNCIL. IN SUCH CASES AS WHERE TWO VALUATIONS ARE ESTABLISHED FOR A PARCEL, THE TAXPAYER SHOULD BE PERMITTED TO ENTER AN AGREEMENT WITH THE MUNICIPALITY TO HAVE HIS TAXES CALCULATED ON BOTH VALUATIONS SEPARATELY, AND TO MAKE HIS TAX PAYMENTS ON THE PROVISIONAL (LESSER) AMOUNT UNLESS, AND UNTIL, HE SELLS OR REDEVELOPS OR CHANGES THE USE OF THE LAND. AT THAT TIME ALL OF THE TAX AMOUNT THAT WAS NOT PAID UNDER THE GREATER OF THE TWO ACCOUNTS OVER THE LAST FIVE YEARS SHOULD BECOME DUE AND PAYABLE.

RECOMMENDATION 8.

IT IS PROPOSED FURTHER THAT THE BENEFITS AVAILABLE UNDER SECTION 9 FOR FREEZING THE ASSESSMENT OF DEVELOPING LANDS SHOULD ALSO BE AVAILABLE TO SUCH TAXPAYERS AS MAY USE SECTION 8(4) AS PROPOSED ABOVE.

RECOMMENDATION 9.

It is recognized that section 10a which provides explicitly for a depreciation reduction of improvements assessments where obsolescence has occurred, is perhaps not applied by assessors as fully as they could do.

IT IS RECOMMENDED THAT ASSESSORS SHOULD BE ENCOURAGED TO MAKE APPROPRIATE USE OF OBSOLESCENCE DEPRECIATIONS AND THAT APPEAL AUTHORITIES SHOULD BE SUPPORTED IN THEIR DECISIONS BASED ON THESE PROVISIONS. It is suggested that this encouragement and support might be obtained by having wide discussion and consultation among assessors of all precedent establishing cases. A case study publication could be used by the Department of Municipal Affairs or the Alberta Assessors' Association to achieve this province-wide discussion of obsolescence.

If farm buildings are to become assessable or even partly so, this obsolescence appraisal matter should be viewed by the assessors concerned, with the utmost care and responsibility. The provision of obsolescence depreciation reductions must be used with confidence and without prejudice by the assessors. It is proposed that section 10a, if more widely used by assessors in respect of farm buildings, small holdings improvements, summer residences and improvements in the smaller urban and in all rural areas generally, then no special provisions such as the 1969 (chapter 78)(S. 30a of The Municipal Taxation Act) provision of tax relief to holiday or recreational dwellings, would be required.

RECOMMENDATION 10.

IT IS RECOMMENDED THEREFORE THAT SECTION 30a BE REPEALED.

RECOMMENDATION 11.

IT IS RECOMMENDED THAT THE DEFINITION OF MACHINERY AND EQUIPMENT WHICH BECOMES ASSESSABLE UNDER SECTION 11 SHOULD BE EXPANDED TO CLARIFY THE INTENTION OF THE LEGISLATION. A clear intention should be provided to determine whether the following types of property are assessable:

- printing presses,
- electronic computers and control devices used in manufacturing or processing,
- milling and mixing equipment.

RECOMMENDATION 12.

IT IS RECOMMENDED THAT THE POWER OF A MUNICIPAL COUNCIL TO CLASSIFY PROPERTY AND PROVIDE A SPECIAL PORTION OF FAIR ACTUAL VALUE FOR ASSESSMENTS (SECTION 13) SHOULD BE REPLACED WITH A POWER TO CLASSIFY PROPERTIES AND PROVIDE A SPECIAL **EXEMPTION FROM TAXATION**, RELATING TO THE MUNICIPAL RATES, OR THE SCHOOL OR HOSPITAL REQUISITIONS, OR PROVINCIAL REQUISITIONS, OR ANY COMBINATION OF THEM. These new powers replacing those of section 13 could be written into or close to section 86.

RECOMMENDATION 13.

IT IS RECOMMENDED THAT THE POWER OF THE LIEUTENANT GOVERNOR IN COUNCIL TO CLASSIFY PROPERTIES AND PRESCRIBE A PERCENTAGE OF FAIR ACTUAL VALUE OF DIFFERENT CLASSES OF IMPROVEMENTS AS NOW PROVIDED IN SECTIONS 10 AND 11, SHOULD BE USED TO PROGRESSIVELY RETURN ALL ASSESSED VALUES TO FULL ONE HUNDRED PER CENT LEVELS WHILE AT THE SAME TIME EXTENDING THE POWER TO COUNCILS TO OFFSET THESE CHANGES, AS THEY DEEM NECESSARY THROUGH SPECIAL TAX RELIEF BY-LAWS AS PROVIDED IN RECOMMENDATION 12. The purpose of these progressive adjustments should be to achieve full fair actual value assessments of all lands and improvements including machinery and equipment, as soon as may be practicably possible.

As to special assessments and particular properties:

The Committee found it necessary to consider certain statutes other than The Municipal Taxation Act. The general purposes of their proposals relate also to some of the provisions of such other legislation.

The Electric Power and Pipeline Assessment Act
and Railway Assessment Act.

The basis of valuation for levies on properties assessed under these Acts should be the same as for valuations under The Municipal Taxation Act. All properties to be assessed should in a reasonable time be adjusted to full fair actual value levels, providing that locally assessed and provincially assessed properties be adjusted in the same manner and at the same time.

RECOMMENDATION 14.

IT IS RECOMMENDED THAT A NEW STUDY SHOULD BE ESTABLISHED IMMEDIATELY TO DETERMINE THE EXTENT OF ELECTRIC GENERATION, SUBSTATION AND COMMUNICATION EQUIPMENT IN THE VARIOUS AREAS, REGIONS AND MUNICIPALITIES OF THE PROVINCE. AS SOON AS MAY BE, A NEW PROVINCIAL TAX IN PLACE OF THE PRESENT LOCAL RATES AND REQUISITIONS SHOULD BE ESTABLISHED TO APPLY AGAINST THIS CLASS OF PROPERTY. THE PROCEEDS OF THE PROVINCIAL TAX SHOULD BE EQUIVALENT TO THE AMOUNT THAT WOULD HAVE BEEN LEVIED ON SUCH ASSESSMENTS HAD THE PROVINCIAL REQUISITIONS THROUGH LOCAL TAX RATES BEEN APPLIED.

It is noted that assessment values of such properties would increase from 30 per cent of fair actual value to full fair actual value. In order to offset the greater burden that would arise if full tax rates were applied, the study should bring forth a recommendation as to whether the local requisitions and rates should apply on the generating, substation, and communication equipment.

RECOMMENDATION 15.

IT IS RECOMMENDED THAT AS SOON AS THIS PART OF THE NEW STUDY IS COMPLETED A SECOND NEW STUDY SHOULD SURVEY THE EFFECTS OF PROVIDING THE SAME APPROACH TO THE ELECTRIC TRANSMISSION LINES, PIPELINES, AND RAILWAY ROADWAYS, TRAVERSING THE MUNICIPAL BOUNDARIES OF THE PROVINCE. A SIMILAR PROVINCIAL TAX ON ELECTRIC TRANSMISSION LINES, PIPELINES, AND RAILWAY ROADWAYS SHOULD THEN BE CALCULATED AND ITS IMPACT ON LOCAL REVENUES SHOULD BE DETERMINED.

RECOMMENDATION 16.

IT IS RECOMMENDED THAT A THIRD NEW STUDY SHOULD THEN BE UNDERTAKEN. THE THIRD STUDY SHOULD EXPLORE THE ALTERNATIVE METHODS OF DERIVING REVENUES FROM THE ELECTRIC POWER, PIPELINE AND RAILWAY INDUSTRIES, BASING THE TAX ON VALUE OF THE ASSESSMENT, GROSS REVENUES OF OPERATIONS, NET REVENUES OF OPERATION AND SUCH OTHER BASES AS MAY APPEAR PRACTICAL.

All revenues from the provincial taxation of this base should be paid into the provincial school foundation fund for redistribution to the local authorities. All property in lands and improvements which is not taken into the new tax base of the Province should be left in the property tax base of the local municipalities, and remain subject to local and provincial requisitions and rates.

The Homeowners Tax Discount Act

Specific proposals regarding the assessment of residences were received by the Committee from several parties submitting briefs.

As a first conclusion it was decided that the method of tax relief for dwellings required clarification. Another concern which became visible to the Committee

was an apparent popular belief that low value residential properties might be over-assessed relative to higher value properties. There were submissions also which suggested some specific relief was needed for persons on fixed low incomes.

The homeowners discount device was found to be not a suitable measure for coping with the problems found.

RECOMMENDATION 17.

IT IS RECOMMENDED THEREFORE THAT THE HOMEOWNERS TAX DISCOUNT BE REPLACED BY A **SOCIAL SERVICES TAX REDUCTION** DEVICE. THIS MEASURE WOULD EXEMPT ALL OWNER-OCCUPIED DWELLINGS FROM THE PROVINCIAL REQUISITIONS ON THE FIRST TWO THOUSAND DOLLARS OF ASSESSABLE VALUE (IN 1969 EQUALIZED ASSESSMENT DOLLARS). The reduction would be permitted only once for each family unit each year, and only where the family unit occupied a dwelling owned by themselves.

RECOMMENDATION 18.

IT IS RECOMMENDED THAT AN ADDITIONAL FIFTY DOLLAR HOMEOWNER GRANT SHOULD BE CONTINUED ONLY FOR PERSONS RECEIVING SUPPLEMENTARY OLD AGE ALLOWANCES.

Mobile Homes Licensing

RECOMMENDATION 19.

IT IS RECOMMENDED THAT WHEN THE ASSESSMENTS OF IMPROVEMENTS GENERALLY ARE RAISED TO FULL FAIR ACTUAL VALUE THE MAXIMUM LICENSE DUE ON MOBILE HOMES SHOULD BE INCREASED TO \$200 AND THAT ONE-HALF OF THE LICENSE SHOULD BE PAYABLE TO THE PROVINCE INTO THE FOUNDATION FUND FOR SCHOOLS.

Local Authorities Board Orders re Annexation

Where the Local Authorities Board orders an annexation of lands into an urban municipality and provides for a frozen or partial assessment or tax for a time period, it should order that a *provisional* valuation and *provisional* tax method be used, as described above for properties under zoning control and development by-laws. This method of "rolling back" the tax to recover unpaid amounts during a period of land use transition and development processes would resolve many of the disparities now created by annexation orders.

RECOMMENDATION 20.

IT IS RECOMMENDED THAT WHERE THE LOCAL AUTHORITIES BOARD ORDERS THAT LANDS ANNEXED TO A MUNICIPALITY SHALL BE TAXED OR ASSESSED IN A PARTICULAR MANNER OR AT A LIMITED LEVEL, THE BOARD SHOULD ORDER THAT FAIR ACTUAL VALUE ASSESSMENTS SHALL BE DETERMINED AND THAT THE MUNICIPALITY SHALL MAINTAIN TWO ASSESSMENTS AND TWO TAX

LEVIES IN ITS RECORDS. THE LOWER ASSESSMENT AND LOWER TAX LEVEL SHOULD BE DESIGNATED AS "PROVISIONAL ASSESSMENT" AND "PROVISIONAL TAX" AND THE TAXPAYER SHOULD BE PERMITTED TO PAY TAXES ON THE LEVEL OF THE PROVISIONAL RATE UNTIL THE LAND USE IS CHANGED FROM AGRICULTURAL TO ANOTHER USE, OR THE LAND IS SOLD, AT WHICH TIME THE FULL TAX WOULD BECOME DUE AND PAYABLE.

Municipalities Assessment and Equalization Act

Assessment administration is the area which is held principally accountable for the fairness and effectiveness of the property tax. The methods of maintaining administrative improvements in Alberta are set out in the Municipalities Assessment and Equalization Act. It is through this statute that the Committee expects greatest reform to be undertaken.

Generally it was found by the Committee that assessment faults could be traced to too infrequent valuation of the tax bases. Furthermore, there is not available a system of assessment audit or continuous inspection to identify the areas or the assessments most urgently in need of revision. In the past the assessment complaints and appeals have served to identify some serious discrepancies, but not soon enough and not with any degree of certainty or specificity.

RECOMMENDATION 21.

IT IS RECOMMENDED THEREFORE THAT A CONTINUOUS SCRUTINY OF ALL PROPERTY TAX BASES IN ALBERTA SHOULD BE INSTITUTED UNDER EXISTING AGENCIES OR IN NEW AGENCIES TO BE CREATED FOR THE PURPOSE. ALL ASSESSMENTS SHOULD BE CATEGORIZED AS TO LAND USE CLASSES, AND ASSESSED VALUE/SALES PRICE RATIOS SHOULD BE CALCULATED ON ALL CURRENT SALES AND REPORTED AND ANALYZED FOR THE GUIDANCE OF ASSESSORS.

The benefits to be obtained from a wide and continuous scrutiny of all tax bases would take the form of better, more continuous supervision of assessments than is now possible. Improved statistical methods of survey would lead to electronic computer methods of information storage and calculation and generally for upgrading the technical proficiency of assessment personnel in these techniques. It would also assist the provincial authorities and local municipal councils in evaluating the performance of individual assessors.

The survey and analysis should develop a system of land use categories to be analyzed separately in the tax bases. More guidance to assessors regarding such categories as farm lands, residential lands, industrial lands and improvements and commercial lands is needed. It can only be provided from a comprehensive study of the present state of affairs and the economic base of taxation.

Discrepancies as among areas, regions, types of municipalities and individual municipalities, must be found and corrected. Only continuous scrutiny of the assessed base will permit this.

It is noteworthy that other Provincial and Federal agencies could participate in a posting of such data for the mutual advantage of all. Alberta Housing Corporation and Farm Credit Corporation could be involved in the data pool and might share in the costs of the program.

Burdens of Taxation

Finally, the Committee recognizes the value of the continuation of its own studies. With more time for collecting and analyzing data, the shares of tax burdens among areas of the province, sectors of the economy, and among municipalities, could be more carefully determined and observed.

RECOMMENDATION 22.

IT IS THEREFORE RECOMMENDED THAT MUNICIPALITIES BE REQUIRED TO REPORT SEPARATELY THE AMOUNTS OF ASSESSMENT AND TAXATION AND NUMBERS OF PARCELS IN THE USE CATEGORIES ESTABLISHED FOR RECOMMENDATION 21 ABOVE. SUCH DETAILS OF ASSESSMENT AND TAXATION SHOULD THEN BE FURTHER REPORTED IN THE ANNUAL STATISTICS OF THE DEPARTMENT OF MUNICIPAL AFFAIRS AND EACH YEAR THE DISTRIBUTION OF BURDENS SHOULD BE ANALYZED AND REPORTED IN THE SAME PUBLICATION.

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APPENDIX A

The Committee's Terms of Reference.

THE ORDER OF THE DAY BEING READ FOR GOVERNMENT MOTIONS:

Moved by Hon. Mr. Strom: Seconded by Hon. Mr. Aalborg:

BE IT RESOLVED that the Government appoint a Special Committee consisting of the following five Members, namely:

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| Messieurs: | Hon. Mr. Gerhart |
| | Buckwell |
| | Leavitt |
| | Muller |
| | Russell |

and four other persons, not Members of the Legislative Assembly, one of whom shall be the Chairman, and to be selected from the urban and rural municipal associations and from the farm and labour organizations of the Province for the purpose of studying and receiving recommendations and representations on the following matters:

1. Real property assessment and taxation,
2. Assessment equalization practices and procedures for the purpose of requisitions upon municipalities for school foundation and hospital levies.

and that the Committee so appointed do meet for the purpose aforesaid in the interim between the prorogation of the Session and the next regular Session of this Assembly at the call of the Chairman at such times and places as may be from time to time designated by him; and that the said Committee do report to this Assembly at the next regular Session thereof.

APPENDIX B — SUBMISSIONS AND BRIEFS

| Pages | Author | Title |
|----------|-----------------------------------|--|
| — 1 23 | C. D. Denney | Submission of The Association of Summer Villages of Alberta |
| — 2 3 | Peter Power | Brief |
| — 3 6 | R. Horley & G. G. King | Submission of M.D. Kneehill and Three Hills School Division |
| — 4 4 | Ronald C. Delamater | Brief from Summer Village Grandview |
| — 5 1 | Mrs. W. C. Taylor | Brief |
| — 6 49 | A. E. Gerrish | Brief—Smallholders' Association for M.D. of Rocky View |
| — 7 8 | | Submission of the Alberta Division Canadian Manufacturers' Association |
| — 8 14 | V. Salyzyn | Submission |
| — 9 2 | | Submission of Canadian Research Committee on Taxation (Alberta Div.) |
| —10 2 | | Submission of Municipal District of Sturgeon |
| —11 1 | Andrew Bergland | Letter |
| —12 2 | Mrs. Edith M. McNary | Letter |
| —13 3 | V. G. Lovell | Letter |
| —14 | L. C. Van Tighem | Submission of M.D. of Foothills |
| —15 7 | J. M. Hattersley | Private submission |
| —16 5 | John W. Proctor | Submission of Canadian Petroleum Association |
| —16A 17 | John W. Proctor | Submission to Provincial-Municipal Advisory Committee, 1966 |
| —17 1 | Gertrude M. Forbes | Submission |
| —18 2 | Doris E. Stedman | Letter |
| —19 3 | Herman E. Wahl | Submission of Flowers Canada (Alb.) |
| —20 1 | R. E. Austin | Submission of Board of North Edmonton Gas Co-op |
| —21 6 | C. Mills | Submission of Western Stock Growers' Association |
| —22 12 | G. C. Shaw | Submission of The School of Economic Science and Social Philosophy |
| —23 8 | K. McKinstry | Private submission |
| —24 2 | George H. Naduram | Private submission |
| —25-1 13 | | Submission of Alberta Association of Municipal Districts & Counties |
| —25-2 42 | Headlin Menzies & Associates Ltd. | An evaluation of Property Taxation in Alberta |
| —25-3 17 | Hu Harries & Associates Ltd. | Some Economic Aspects of the Assessment Problem in Alberta |
| —26 6 | | Submission of Calgary Power Co. |
| —27 9 | | Submission of Canadian Utilities, Ltd. |
| —28 10 | R. F. Steele | Submission of Chemcell Ltd. |
| —29 1 | Mrs. Francis D. Shand | Letter |
| —30 7 | Rudolph Zander | Submission of The County of Parkland |

| Pages | Author | Title |
|-------|---------------|---|
| —31 | 2 | Submission of Highwood Ranch |
| —32 | 2 | Submission of Foothills Ratepayers' Association |
| —33 | 13 | Submission of Alberta Association of Professional Appraisers |
| —34 | 6 | Submission of the Alberta Real Estate Association |
| —35 | 25 | Submission of 6 Collaborators |
| —36 | 12 & appendix | Submission of Cemp Investments Ltd. & Fairview Corporation Ltd. |
| —37 | 1 | Letter |
| —38 | 8 | Submission of The Alberta Urban Municipalities' Association |
| —39 | 6 | Private submission |

APPENDIX C

Persons who provided expert advice and assistance to the Committee:

- A. W. Morrison — Deputy Minister, Department of Municipal Affairs
- J. B. Laidlaw — Assessment Commissioner, Department of Municipal Affairs
- D. E. Mills — Chief Provincial Assessor, Department of Municipal Affairs
- D. A. Bancroft — Associate Professor, Department of Extension, The University of Alberta

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